

[By Bruce Edwards](#)

It's been a year since a law took effect that lowered the debit card swipe fees paid by merchants. Now, Rep. Peter Welch, D-Vt., says it's time to tackle the problem of excessive credit card swipe fees imposed by the nation's biggest banks and credit card companies.

"Our merchants pay the highest credit card fees in the world," Welch said.

Last year, Congress passed the Durbin Amendment which cut the swipe fees that Visa, MasterCard and banks charged merchants each time a customer used their debit card. Merchants complained that the swipe fees were excessive, costing them thousands of dollars in revenue each year,

Welch said the same arguments that applied to reducing debit card swipe fees apply to credit card fees. But there wasn't the political support last year to tackle both credit card and debit card fees in one bill, he said.

Credit card fees are even more onerous, he said, because many credit cards come with airline miles or other award points.

"People like the rewards cards, but it's a unique situation where the person who ends up paying the cost of the rewards, like, say, my air miles, is the merchant and they have nothing to do with it," Welch said.

For consumers, he said, rewards credit cards often come with a higher interest rate.

The Electronics Payments Coalition argues that despite predictions that merchants would pass on the savings, the nation's merchants received an \$8 billion windfall — with consumers paying

1.5 percent more today than a year ago when the Durbin Amendment took effect.

The coalition of banks and credit unions based its findings on a survey of 18 stores before and a year after the swipe-fee rollback took effect. "The research shows that 67 percent of retailers visited across the country either raised prices or kept them the same," the coalition said in a press release marking the first anniversary of the Durbin Amendment.

Tasha Wallis, executive director of the Vermont Retail Association, questioned the accuracy of the survey.

"I strongly believe those savings that exist are being passed onto consumers," she said.

The retail environment is so competitive and the margins so slim, Wallis said, that holding on to the swipe-fee savings would not be in a merchant's best interest.

She said that's especially true today when shoppers can comparison-shop in stores using their smartphones.

Some members have told Wallis that they've been hit with new fees from the credit card companies.

Chris D'Elia of the Vermont Bankers Association said he'd like to see proof that retailers are passing on swipe-fee savings to their customers.

"I would suggest to the congressman (Welch) that he focus on making sure that the consumers see some benefit to these debit card swipe fees, credit card swipe fees discussions," D'Elia said, "because to my knowledge I haven't seen fees (prices) go down from a consumer point of view. So it would seem like the merchants are pocketing the profit for the reduced cost of the swipe fees rather than passing that on to the consumers."

With an economy that is still recovering from the Great Recession, Bonnie Hawley of Hawley's Florist in downtown Rutland said it's not reasonable to think that merchants like herself are in a position to necessarily lower prices when they have trouble making ends meet.

"It did help pay for things we wouldn't have been able to pay for," Hawley said, referring to the savings in swipe fees.

In an email, Hawley said her credit card swipe fees average 3 percent of every transaction. "The cost to my store for this service is \$11,311," she said, adding it was one of her largest annual expenses after salaries, rent, advertising and insurance.

Hawley said the banking industry is in no position to lecture retailers about pocketing profits when it was the big banks that were largely responsible for creating the current economic mess.

Although debit card swipe fees were cut in half, Welch said the Federal Reserve did not go far enough.

He drew the analogy between a paper check and a debit card, which is basically an electronic check and involves much less processing than a paper check.

Welch said it then makes sense that any fees associated with a debit card transaction "should be reflective of what is a reasonable charge."

Most consumers don't realize that in addition to the interest rate and whatever annual fee they might pay on their credit card, merchants are charged at the other end with a fee on every credit or debit card transaction, Welch said

He said those fees can range from 1 percent up to 3.5 percent per transaction.

Welch intends to push for credit card swipe-fee legislation after the new Congress convenes in January.

D'Elia said the problem goes well beyond capping debit and credit card swipe fees. He said the broader issue is the cost the banks face from increased compliance brought on by the Dodd Frank Act, the consumer protection law. He said the added expense is eventually passed on to consumers in the form of higher fees.

Several of the country's major retailers and trade groups that are parties to a class-action lawsuit are fighting a proposed \$6 billion settlement over credit card swipe fees. Wallis said the settlement is woefully inadequate and only "entrenches Visa and MasterCard's ability to set the fees."

The proposed settlement allows merchants to impose a surcharge on shoppers who use a credit card. But Wallis said retailers are reluctant to impose an additional charge on consumers.

"If you look at that from a practical viewpoint, that's not something that's really attractive to consumers and probably wouldn't work for retailers," she said.